

OTSEGO COUNTY FIRE BOARD

OTSEGO COUNTY

FINANCIAL REPORT

WITH SUPPLEMENTAL INFORMATION

JUNE 30, 2005

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other				Local Unit Name OTSEGO COUNTY FIRE BOARD		County OTSEGO	
Fiscal Year End JUNE 30 2005		Opinion Date SEPTEMBER 8 2005		Date Audit Report Submitted to State MAY 30 2007			

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

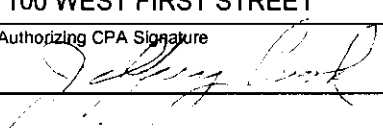
YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

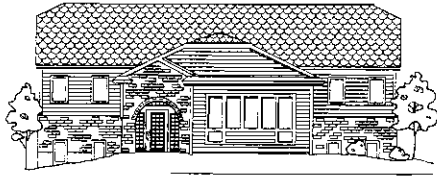
If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:		Enclosed	Not Required (enter a brief justification)	
Financial Statements		<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations		<input type="checkbox"/>	NONE REQUIRED	
Other (Describe)		<input type="checkbox"/>		
Certified Public Accountant (Firm Name) KESKINE COOK MILLER & ALEXANDER LLP			Telephone Number 989-732-7515	
Street Address 100 WEST FIRST STREET			City GAYLORD	State MI
			Zip 49735	
Authorizing CPA Signature 		Printed Name JEFFREY COOK		License Number 11876

**OTSEGO COUNTY FIRE BOARD
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Keskin, Cook, Miller & Alexander LLP
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

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INDEPENDENT AUDITOR'S REPORT

September 8, 2005

To the Otsego County Fire Board
Otsego County, Michigan

We have audited the accompanying basic financial statements of the Otsego County Fire Board, Otsego County, Gaylord, Michigan as of and for the year ended June 30, 2005, as listed in the table of contents. These basic financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Otsego County Fire Board, Otsego County, Michigan as of June 30, 2005, and the respective changes in financial position thereof for the year ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison schedules, as identified in the table of contents, are not a required part of the basic financial statements, but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Keskin Cook Miller & Alexander LLP
KESKINE, COOK, MILLER & ALEXANDER, LLP

OTSEGO COUNTY FIRE BOARD
MANAGEMENT'S DISCUSSION & ANALYSIS

This section of the annual financial report of the Otsego County Fire Board presents our discussion and analysis of the entity's financial performance during the fiscal year that ended June 30, 2005. Please read it in conjunction with the financial statements which immediately follow this section.

Financial Highlights

The change in net assets, as calculated on the full accrual basis of accounting was \$574,096. The excess of revenues over expenditures as calculated on the modified accrual basis of accounting was \$56,529.

Total revenues increased from the prior year because of a property tax levy not present in the previous year. The levy was for the purchase of an aerial truck.

Overview of the Financial Statements

This annual report consists of three parts, management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the entity.

The first two statements are entity wide financial statements and provide both long and short-term information about our overall financial status. These statements present government activities.

The remaining statements are fund financial statements, which focus on individual part of the entity in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Entity Wide Statements

The entity wide statements report information about the entity as a whole using accounting methods used by private companies. The statement of net assets includes all of the entity's assets and liabilities. The statement of activities includes all of the current year's revenues and expenses regardless of when received or paid.

The two entity wide statements report net assets and how they have changed. Net assets are the difference between the entity's assets and liabilities. Over time, increases or decreases in the entity's net assets are an indicator of whether financial position is improving or deteriorating. The activity of The Otsego County Fire Board is reported as a government activity. The Board has no business type activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the entity. The entity has only one fund – Fire Fighting. The fund is presented on the modified accrual basis of accounting, which is designed to show short-term financial information. You will note that the differences between the entity wide statements and the fund statements are disclosed to explain the differences between them.

Financial Analysis of the Entity as a Whole

Net assets – The entity's net assets increased with the purchase of an aerial truck by approximately \$587,000 during the year ended June 30, 2005, to approximately \$1,270,000.

Financial Analysis of the Entity's Funds

The activities of the Fire Fighting fund have remained constant, consisting of extinguishment of all fires within their jurisdiction. The cost of this service increased approximately 5 percent from the prior year and the revenues collected from the Fire Board's contract with various municipalities increased from \$233,500 to \$265,000.

Capital Asset Activity

The Fire Board significantly contributed to its ability to contain and extinguish fires through the purchase of an aerial truck and other fire fighting equipment.

Contacting Entity Management

This financial report is designed to provide taxpayers, creditors, investors and customers with a general overview of the Fire Board's finances and to demonstrate the entity's accountability for the revenues it receives. If you have questions concerning this report please contact Mr. Mark Lambert or Mr. Tim Warren at Otsego County Fire Department, P.O. Box 954, Gaylord, Michigan, 49734.

Mark Lambert

Secretary/Treasurer
Otsego County Fire Board

OTSEGO COUNTY FIRE BOARD
GOVERNMENTAL FUND BALANCE SHEET - STATEMENT OF NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2005

	Balance Sheet Modified Accrual	Adjustments (Note B)	Statement of Net Assets - Full Accrual
Assets			
Cash (Note D)	\$ 78,206	\$ -	\$ 78,206
Nondepreciable capital assets, net (Note E)	-	38,455	38,455
Depreciable capital assets, net (Note E)	<u>-</u>	<u>1,193,518</u>	<u>1,193,518</u>
Total assets	<u>\$ 78,206</u>	\$ 1,231,973	<u>\$ 1,310,179</u>
Liabilities			
Accrued payroll	39,186	-	39,186
Other accrued liabilities	<u>54</u>	<u>-</u>	<u>54</u>
Total liabilities	39,240	-	<u>39,240</u>
Fund Deficit - Unreserved and undesignated	<u>38,966</u>	<u>(38,966)</u>	
Total liabilities and fund deficit	<u>\$ 173,982</u>		
Net Assets			
Investment in capital assets		1,231,973	1,231,973
Unrestricted (deficit)		<u>38,966</u>	<u>38,966</u>
Total net assets		<u>\$ -</u>	<u>\$ 1,270,939</u>

See Notes to Financial Statements and Accountant's Report.

OTSEGO COUNTY FIRE BOARD
STATEMENT OF GOVERNMENTAL FUND REVENUE, EXPENDITURES,
AND CHANGES IN FUND BALANCES - STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2005

	Revenues and Expenditures - Modified Accrual	Adjustments (Note B)	Statement of Activities Full Accrual
Revenue			
Contracts	\$ 265,000	\$ -	\$ 265,000
Federal grants	134,596	-	134,596
Interest & miscellaneous	9,895	-	9,895
Property taxes	<u>442,413</u>	<u>-</u>	<u>442,413</u>
Total Revenue	851,904	-	851,904
Expenditures			
Fire fighting - Wages	71,689	-	71,689
Administration - Salaries	19,940	-	19,940
Payroll taxes	7,804	-	7,804
Repairs, maintenance and contracted services	3,997	-	3,997
Fuel and oil	3,147	-	3,147
Insurance	31,437	-	31,437
Utilities	10,333	-	10,333
Communications and telephone	3,655	-	3,655
Fire fighting supplies	4,016	-	4,016
Office supplies	1,246	-	1,246
Vehicle supplies and expenses	25,890	-	25,890
Service contracts	16,994	-	16,994
Education and training	4,920	-	4,920
Professional services	2,480	-	2,480
Capital outlay	587,827	(587,827)	-
Depreciation	<u>-</u>	<u>70,260</u>	<u>70,260</u>
Total expenditures	<u>795,375</u>	<u>(517,567)</u>	<u>277,808</u>
Excess of Revenue Over Expenditures	56,529	(517,567)	574,096
Fund Balance/Net Assets - Beginning of year	<u>(17,563)</u>	<u>629,605</u>	<u>702,283</u>
Fund Balance (Deficit)/Net Assets - End of year	<u>\$ 38,966</u>	<u>\$ 629,605</u>	<u>\$ 702,283</u>

See Notes to Financial Statements and Accountant's Report.

**OTSEGO COUNTY FIRE BOARD
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2005**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Otsego County Fire Board (Fire Board) conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies used by the Fire Board.

REPORTING ENTITY

The Otsego County Fire Board was organized in 1977 by the Townships of Bagley, Chester, Dover, Elmira, Hayes, Livingston, Otsego Lake and the City of Gaylord, all of Otsego County, Michigan. Elmira and Otsego Lake have since disengaged themselves from the Fire Board. The Fire Board operates under a governing body of 13 members referred to as the Otsego County Fire Board. The individual members have delegated authority to the Fire Board for operation of the department and maintenance of assets. The Board appoints a Chairman to preside over Board meetings, a secretary to record activities of the Board and a treasurer to pay bills and maintain cash assets. All activities are included under the Fire Board's control and reports are made periodically to each member.

There is an organization known as the Otsego County Fire Department. These financial statements should not and do not reflect any activity or assets of the Otsego County Fire Department.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the activities of the Board.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not properly included among program revenues are reported instead as general revenues.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**OTSEGO COUNTY FIRE BOARD
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2005**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (CONTINUED)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Board considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

The Board reports the following major governmental funds:

General Fund – The General Fund is the Board's only operating fund. It accounts for all financial resources of the Board.

Revenue – The Fire Board's primary source of revenue consists of contracts with each of its member units. These contracts are based on the members population and S.E.V. Other revenues include billings for fires extinguished on personal property and interest income.

Budget – An annual budget is prepared by the management and adopted by the Fire Board prior to the beginning of the fiscal year; subsequent amendments are approved by the Fire Board. Unexpended appropriations lapse at year end. The Fire Board may pass amendments to the budget during the fiscal year by resolution. During the current year, the budget was amended in a legally permissible manner.

The budget has been prepared in accordance with accounting principals generally accepted in the United States of America.

The actual revenue reported on the Budgetary Comparison Schedule included in the Required Supplemental Information does not agree to the Statement of Governmental Fund Revenue, Expenditures, and Changes in Fund Balance because the gain on sale of capital assets is reported as an Other Financing Source on the Statement of Governmental Fund Revenue, Expenditures, and Changes in Fund Balance and as miscellaneous revenue on the Budgetary Comparison Schedule.

Amounts encumbered for purchase orders, contracts, etc. are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

**OTSEGO COUNTY FIRE BOARD
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2005**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CAPITAL ASSETS

Capital assets, which include property, buildings, equipment, and vehicles are stated at historical cost and comprehensively reported in the government-wide financial statements. Capital assets are defined by the Board as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of one year. Donated assets are recorded at estimated fair market value at the date of donation.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and building improvements	20 – 50 years
Vehicles and equipment	3 – 30 years

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

NOTE B – CUSTODY OF ASSETS

All assets are under the control of the Fire Board. Per state statute, the Fire Board may not retain title to any assets and must designate one member as custodian. The City of Gaylord has been designated as the custodial member. The City of Gaylord delegates authority to the Fire Board. The City of Gaylord audited financial statements are located at 225 West Main Street, Gaylord, Michigan 49735.

NOTE C – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Total fund balances and the net change in fund balances of the Fire Board's General Fund differ from net assets and changes in net assets of the governmental activities reported in the statement of net assets and the statement of activities. This difference results primarily from the long-term economic focus of the statement of net assets and the statement of activities versus the economic focus of the statement of the governmental fund balance sheet and the statement of revenue, expenditures, and changes in fund balance.

**OTSEGO COUNTY FIRE BOARD
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2005**

**NOTE C – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS
(CONTINUED)**

The following reconciliations of fund balance to net assets and the net change in fund balance to the net change in net assets are as shown:

Total Fund Equity – Governmental Fund	\$ 38,966
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Amounts reported for in the statements of net assets are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds	<u>1,231,973</u>
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Total Net Assets – Full Accrual Basis	<u>\$ 1,270,939</u>
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Net Change in Fund Balance – Modified Accrual Basis	\$ 56,529
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Amounts reported fro governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures in the statement of activities, these costs are allocated over their estimated useful lives as depreciation. This is the amount by which capital outlays exceed depreciation in the current period.

Capital outlay	\$ 587,827		
Depreciation expense	<u>(70,260)</u>		<u>517,567</u>

Change in Net Assets of Governmental Activities – Full Accrual Basis	<u>\$ 574,096</u>
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NOTE D – CASH

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The Board has designated one bank for the deposit of its funds. The Fire Board's deposits are in accordance with statutory authority.

The Fire Board's cash is comprised of bank deposits that are reflected in the accounts of the bank (without recognition of checks written but not yet cleared or of deposits in transit) at \$39,210 which is all covered by federal depository insurance.

**OTSEGO COUNTY FIRE BOARD
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2005**

NOTE E – FIXED ASSETS

The schedule of changes in general fixed assets is as follows:

	Balance <u>July 1, 2003</u>	<u>Additions</u>	Disposals and <u>Adjustments</u>	Balance <u>June 30, 2005</u>
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 38,455	\$ -	\$ -	\$ 38,455
Capital assets being depreciated:				
Buildings and improvements	277,825	-	-	277,825
Vehicles and equipment	<u>913,187</u>	<u>587,827</u>	<u>-</u>	<u>1,501,014</u>
Subtotal	1,191,012	587,827	-	1,778,839
Accumulated depreciation:				
Buildings and improvements	127,227	6,084	-	133,311
Vehicles and equipment	<u>387,834</u>	<u>64,176</u>	<u>-</u>	<u>452,010</u>
Subtotal	515,061	70,260	-	585,321
Net capital assets being depreciated	<u>675,951</u>	<u>517,567</u>	<u>-</u>	<u>1,193,518</u>
Net capital assets	<u>\$ 714,406</u>	<u>\$ 517,567</u>	<u>\$ -</u>	<u>\$ 1,231,973</u>

NOTE F – CONTRACTS

There is an organization known as the Otsego County Fire Department. These financial statements do not reflect any activity or assets of the Otsego County Fire Department. The Board contracts with the Otsego County Fire Department for firemen.

NOTE G – RISK MANAGEMENT

The Otsego County Fire Board is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omission, injuries to employees, and natural disasters. The Otsego County Fire Board participates in the Michigan Municipal Liability and Property pool, a self-insured group. The pool is considered a public entity risk pool. The Otsego County Fire Board pays annual premiums to the pool for the respective coverage. In the event a pool's total claims and expenses for a policy year exceed the normal annual premiums for said years, all members of the pool's policy may be premiums subject to special assessment to make up the deficiency. The pool maintains reinsurance for claims generally in excess of \$500,000 for each occurrence with the overall maximum coverage varying, depending on the specific type coverage of reinsurance. The Otsego County Fire Board has not been informed of any special assessments. There were no significant claims for the year, nor were there any significant changes in coverage. The Otsego County Fire Board carries commercial insurance for other types of loss.

REQUIRED SUPPLEMENTAL INFORMATION

**OTSEGO COUNTY FIRE BOARD
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2005**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Contracts	\$ 265,000	\$ 265,000	\$ 265,000	\$ -
Federal grants	134,195	134,195	134,596	401
Interest & miscellaneous	-	-	9,895	9,895
Property taxes	<u>650,000</u>	<u>650,000</u>	<u>442,413</u>	<u>(207,587)</u>
 Total Revenue	 <u>1,049,195</u>	 <u>1,049,195</u>	 <u>851,904</u>	 <u>(197,291)</u>
Expenditures				
Fire fighting - Wages	72,000	72,000	71,689	(311)
Administration - Salaries	20,000	20,000	19,940	(60)
Payroll taxes	8,000	8,000	7,804	(196)
Repairs, maintenance and contracted services	4,000	6,000	3,997	(2,003)
Fuel and oil	2,500	3,500	3,147	(353)
Insurance	25,000	31,500	31,437	(63)
Utilities	10,000	10,500	10,333	(167)
Communications and telephone	3,500	4,000	3,655	(345)
Fire fighting supplies	13,000	13,000	4,016	(8,984)
Office supplies	2,000	2,000	1,246	(754)
Vehicle supplies and expenses	10,000	25,000	25,890	890
Service contracts	15,000	17,000	16,994	(6)
Capital outlay	829,195	829,195	587,827	(241,368)
Education and training	3,000	3,000	4,920	1,920
Professional services	2,000	2,500	2,480	(20)
Contingency	30,000	2,000	-	(2,000)
Miscellaneous expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Total expenditures	 <u>1,049,195</u>	 <u>1,049,195</u>	 <u>795,375</u>	 <u>(253,820)</u>
 Deficiency of Revenue Under Expenditures	 -	 -	 56,529	 56,529
 Fund Balance - Beginning of year	 <u>(17,563)</u>	 <u>(17,563)</u>	 <u>(17,563)</u>	 <u>-</u>
 Fund Deficit - End of year	 <u>\$ -</u>	 <u>\$ (17,563)</u>	 <u>\$ 38,966</u>	 <u>\$ 56,529</u>

See Notes to Financial Statements and Accountant's Report.